



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER GREENUP COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES**

March 26, 1999

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EXECUTIVE SUMMARY
GREENUP COUNTY
EARL R. MARSHALL, FORMER SHERIFF
1998 SHERIFF'S TAX SETTLEMENT
MARCH 26, 1999

We have completed our audit of the former Greenup County Sheriff Earl R. Marshall's 1998 tax account.

The audit report contains the following comments or recommendations:

- Former Sheriff Earl R. Marshall Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- Former Sheriff Earl R. Marshall Should Have Obtained A Written Agreement To Protect Deposits
- Former Sheriff Earl R. Marshall Should Have Paid The Boards of Education Their Proper Share Of Interest Earned On Investment Of School Taxes
- Former Sheriff Earl R. Marshall's County Revenue Bond Should Have Adequately Protected The County From Potential Loss
- Former Sheriff Earl R. Marshall Should Not Have Made Transfers Between The Tax Account And Fee Account

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Keith Martin Cooper, Greenup County Sheriff
Honorable Earl R. Marshall, Former Greenup County Sheriff
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the former Greenup County Sheriff's Settlement - 1998 Taxes as of March 26, 1999. This tax settlement is the responsibility of the former Greenup County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The former Sheriff prepared his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Greenup County Sheriff's taxes charged, credited, and paid as of March 26, 1999, in conformity with the basis of accounting described in the preceding paragraph.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Robert W. Carpenter, Greenup County Judge/Executive

Honorable Keith Martin Cooper, Greenup County Sheriff

Honorable Earl R. Marshall, Former Greenup County Sheriff

Members of the Greenup County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- Former Sheriff Earl R. Marshall Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed
- Former Sheriff Earl R. Marshall Should Have Obtained A Written Agreement To Protect Deposits
- Former Sheriff Earl R. Marshall Should Have Paid The Boards of Education Their Proper Share Of Interest Earned On Investment Of School Taxes
- Former Sheriff Earl R. Marshall's County Revenue Bond Should Have Adequately Protected The County From Potential Loss
- Former Sheriff Earl R. Marshall Should Not Have Made Transfers Between The Tax Account And Fee Account

In accordance with Government Auditing Standards, we have also issued a report dated May 25, 2000, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
May 25, 2000

GREENUP COUNTY
EARL R. MARSHALL, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

March 26, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 736,207	\$ 1,684,370	\$ 4,414,014	\$ 1,265,614
Tangible Personal Property	115,117	112,239	579,109	315,858
Intangible Personal Property				129,213
Oil and Gas Property	58	124	356	99
Fire Protection	2,579			
Franchise Corporation	85,448	139,209	435,823	
Additional Billings	13,422	27,038	75,414	23,083
Increased Through Erroneous Assessments	363	1,441	2,503	624
Adjusted to Sheriff's Receipt	(14)	35	5	10
Gross Chargeable to Sheriff	<u>\$ 953,180</u>	<u>\$ 1,964,456</u>	<u>\$ 5,507,224</u>	<u>\$ 1,734,501</u>
<u>Credits</u>				
Discounts	\$ 10,832	\$ 22,679	\$ 62,503	\$ 23,689
Exonerations	23,570	49,153	145,371	30,811
Transfer To Incoming Sheriff	<u>138,470</u>	<u>298,493</u>	<u>834,834</u>	<u>240,010</u>
Total Credits	<u>\$ 172,872</u>	<u>\$ 370,325</u>	<u>\$ 1,042,708</u>	<u>\$ 294,510</u>
Net Tax Yield	\$ 780,308	\$ 1,594,131	\$ 4,464,516	\$ 1,439,991
Less: Commissions (a)	<u>33,451</u>	<u>67,751</u>	<u>101,765</u>	<u>61,487</u>
Net Taxes Due	\$ 746,857	\$ 1,526,380	\$ 4,362,751	\$ 1,378,504
Taxes Paid	745,650	1,524,776	4,354,601	1,378,591
Refunds (Current and Prior Year)	<u>1,034</u>	<u>1,483</u>	<u>6,412</u>	<u>1,873</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ 173</u>	<u>\$ 121</u>	<u>\$ 1,738</u>	<u>\$ (1,960)</u>

(a), (b), and (c) See Page 4

GREENUP COUNTY
 EARL R. MARSHALL, FORMER SHERIFF
 SHERIFF'S SETTLEMENT - 1998 TAXES
 March 26, 1999
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	3,804,430
2.5 % on	\$	2,494,917
2% on	\$	1,969,599

(b) Special Taxing Districts:

Library District	\$	101
Health District		45
Extension District		21
Ambulance District		(62)
South Shore Fire District		(25)
Lloyd Fire District		22
Maloneton Fire District		(6)
Little Sandy Fire District		72
City of South Shore		(47)

Due Districts or (Refunds Due Sheriff)	\$	<u>121</u>
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(c) School Taxing Districts:

Common School District	\$	1,553
Russell School District		112
Raceland School District		<u>73</u>

Due Districts	\$	<u>1,738</u>
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The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
NOTES TO THE FINANCIAL STATEMENT

March 26, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff's office and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution did pledge or provide sufficient collateral, and the depository institution's board of directors or loan committee did approve the pledge or provision. However, the depository institution did not have a written agreement with the former Sheriff securing the former Sheriff's interest in the collateral.

GREENUP COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 26, 1999
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 23, 1998 through January 4, 1999.

Note 5. Interest Income

The former Greenup County Sheriff earned \$10,606 as interest income on 1998 taxes. The former Sheriff did not distribute any of the interest income to the school districts as required by statute. Instead, he distributed all interest income to his official fee account. The former Sheriff should return \$5,477 from his official fee account to his tax account and pay interest income to the school districts as noted in the accompanying comments and recommendations.

Note 6. Subsequent Event

The former Sheriff filed a lawsuit claiming NOW account interest earned on tax collections was not investment income which would be partially due the school districts. The courts have ruled against the Sheriff and the interest is now due the schools.

GREENUP COUNTY
EARL R. MARSHALL, FORMER SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

March 26, 1999

Assets

Cash in Bank (All Tax Accounts)		\$	5,648
Deposits In-Transit			6,119
Receivables:			
1994 Tax Overpayment Receivable-			
State	\$	2,724	
Little Sandy Fire District		309	
Wurtland Fire District		664	
			\$ 3,697
1995 Tax Overpayment Receivables-			
State	\$	1,714	
Common School District		19	
Russell School District		6	
Raceland School District		13	
Library District		9	
Health District		2	
Lloyd Fire District		2	
Load Fire District		16	
Ambulance District		288	
			2,069
1996 Tax Overpayment Receivable-			
Greenup County Fiscal Court	\$	484	
Common School District		959	
Library District		41	
Extension District		113	
South Shore Fire District		532	
Oldtown Fire District		1,664	
Firebrick Fire District		158	
Little Sandy Fire District		397	
Load Fire District		190	
City of South Shore		826	
			5,364
1997 Tax Overpayment Receivables-			
State	\$	531	
Common School District		441	
Russell School District		514	
Raceland School District		2,769	
City of Greenup		144	
Lloyd Fire District		251	
Oldtown Fire District		7	
Firebrick Fire District		52	
Little Sandy Fire District		72	
			4,781

GREENUP COUNTY
 EARL R. MARSHALL, FORMER SHERIFF
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
 March 26, 1999
 (Continued)

Receivables: (Continued)

1998 Tax Overpayment Receivable-

State	\$	1,960	
Ambulance District		62	
South Shore Fire District		25	
Maloneton Fire District		6	
City of South Shore		<u>47</u>	\$ 2,100

1998 Taxes Due From New Sheriff- 5,357

Due From Fee Account-

1994 Taxing District Overpayments Refunded	\$	7,627	
1995 Taxing District Overpayments Refunded		8,876	
1995 Tax Commission Overpayments		357	
1996 Taxing District Overpayments Refunded		8,345	
1996 Russell School District Tax Commissions Refunded		28,750	
1997 Tax Commission Overpayments		4,712	
1993 Interest Overpayments		8,720	
1994 Interest Overpayments		8,003	
1995 Interest Overpayments		7,660	
1997 Interest Overpayments		2,928	
1998 Interest Overpayments		<u>5,477</u>	<u>91,455</u>

Total Receivables \$ 114,823

Total Assets \$ 126,590

Liabilities

Liabilities:

Outstanding Checks \$ 464

Unpaid Obligations-

1995 Taxes Due

Greenup County Fiscal Court	\$	133	
Extension District		<u>8</u>	141

1996 Taxes Due

Russell School District	\$	779	
Raceland School District		774	
Health District		5,293	
Wurtland Fire District		401	
Lloyd Fire District		839	
Maloneton Fire District		1,350	
Ambulance District		251	
City of Greenup		<u>710</u>	10,397

GREENUP COUNTY
 EARL R. MARSHALL, FORMER SHERIFF
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
 March 26, 1999
 (Continued)

Liabilities (Continued)

Unpaid Obligations- (Continued)

1997 Taxes Due

Greenup County Fiscal Court	\$	904	
Library District		355	
Health District		296	
Extension District		135	
City of South Shore		56	
Ambulance District		1,227	
South Shore Fire District		142	
Wurtland Fire District		154	
Maloneton Fire District		105	
Load Fire District		25	
		<hr/>	
	\$		3,399

1998 Taxes Due

Greenup County Fiscal Court	\$	173	
Common School District		1,553	
Russell School District		112	
Raceland School District		73	
Library District		101	
Health District		45	
Extension District		21	
Lloyd Fire District		22	
Little Sandy Fire		72	
		<hr/>	
			2,172

1995 Investment Interest-

Common School District	\$	63	
Russell School District		60	
Raceland School District		23	
		<hr/>	
			146

1993 Checking Account Interest-

Common School District	\$	3,583	
Russell School District		3,810	
Raceland School District		1,327	
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			8,720

1994 Checking Account Interest-

Common School District	\$	3,341	
Russell School District		3,434	
Raceland School District		1,228	
		<hr/>	
			8,003

1995 Checking Account Interest-

Common School District	\$	3,130	
Russell School District		3,326	
Raceland School District		1,204	
		<hr/>	
			7,660

1996 Checking Account Interest-

Common School District	\$	1,257	
Russell School District		1,247	
Raceland School District		448	
		<hr/>	
			2,952

GREENUP COUNTY
 EARL R. MARSHALL, FORMER SHERIFF
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS
 March 26, 1999
 (Continued)

Liabilities (Continued)

Unpaid Obligations- (Continued)

1997 Checking Account Interest-

Common School District	\$	1,267	
Russell School District		1,274	
Raceland School District		331	\$ 2,872

1998 Checking Account Interest-

Common School District	\$	2,216	
Russell School District		2,424	
Raceland School District		855	5,495

Amounts Due To Fee Account-

1993 Unmined Coal Commission	\$	259	
1995 Checking Account Interest		1,983	
1995 Investment Interest		6	
1995 Sheriff's Fees		176	
1995 Line of Credit Repaid By Fee Account		18,000	
1996 Checking Account Interest		3,063	
Cash Transfers		50,242	\$ 73,729
1995 Advertising Fees Due Fiscal Court			440

Total Liabilities			\$ 126,590
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Cumulative Deficit As of March 26, 1999			\$ 0
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COMMENTS AND RECOMMENDATIONS

GREENUP COUNTY
EARL R. MARSHALL, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS

March 26, 1999

STATE LAWS AND REGULATIONS:

1. Former Sheriff Earl R. Marshall Should Close His Tax Accounts By Collecting All Receivables And Paying All Amounts Owed

The proper distribution of tax money collected by the former Sheriff requires the collection of receivables (including overpayments to some taxing districts) and the payment of these funds to the appropriate taxing districts. The following net collections and net payables should be made:

Money Due From Others:

1998 Fee Account	\$ 17,716
State	6,929
Oldtown Fire District	1,671
City of Southshore	817
Little Sandy Fire District	706
Southshore Fire District	415
Firebrick Fire District	210
Load Fire District	181
Wurtland Fire District	109
New Sheriff	<u>5,367</u>

Total Due From Others \$ 34,121

Money Due To Others:

Health District	\$ 5,632
Raceland School District	3,481
Common School District	14,991
Russell School District	15,946
Maloneton Fire District	1,449
Greenup County Fiscal Court	1,166
Ambulance District	1,128
City of Greenup	566
Lloyd Fire District	608
Library District	406
Extension District	<u>51</u>

Total Due Others \$ 45,424

The above collections and distributions, along with the available tax bank account cash, will be sufficient to close the former Sheriff's tax accounts for his term of office. We recommend the former Sheriff collect the above \$34,121 of receivables and combined with the available cash pay the listed \$45,424 of money owed. The former Sheriff's fee account close-out will be detailed in a separate audit report.

Former Sheriff Earl R. Marshall's Response:

None.

GREENUP COUNTY

EARL R. MARSHALL, FORMER SHERIFF

SCHEDULE OF COMMENTS AND RECOMMENDATIONS

March 26, 1999

(Continued)

2. Former Sheriff Earl R. Marshall Should Have Obtained A Written Agreement To Protect Deposits

Former Sheriff Earl R. Marshall maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of November 13 1998, the former Sheriff had bank deposits of \$6,489,626; FDIC insurance of \$100,000; and collateral pledged or provided of \$6,750,000. Even though the Sheriff obtained sufficient collateral of \$6,750,000, there was no written agreement between the Sheriff and the depository institution, signed by both parties, securing the Sheriff's interest in the collateral. We recommend the Sheriff's office enter into a written agreement with the depository institution to secure the Sheriff's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Former Sheriff Earl R. Marshall's Response:

Banks did provide pledge and had an agreement.

Auditor's Reply:

The agreement was not signed by the bank or the former Sheriff.

3. Former Sheriff Earl R. Marshall Should Have Paid Boards Of Education Their Proper Share Of Interest Earned On Investment Of School Taxes

Pursuant to KRS 134.140(3)(b), the Sheriff's office shall pay to the Board of Education the proper share of interest earned on investment of school taxes. The proper share shall be determined by comparing the school tax to the total taxes collected and using that percentage as a factor. Total school checking interest earned from 1993 through 1998 was \$35,702. The Common School District's share was \$14,794, the Russell School District's share was \$15,515, and the Raceland School District's share was \$5,393. The former Sheriff has not paid any checking account interest to the schools. We have included these payments in the settlement amounts discussed in comment one.

GREENUP COUNTY
 EARL R. MARSHALL, FORMER SHERIFF
 SCHEDULE OF COMMENTS AND RECOMMENDATIONS
 March 26, 1999
 (Continued)

3. Former Sheriff Earl R. Marshall Should Have Paid Boards Of Education Their Proper Share Of
Interest Earned On Investment Of School Taxes (Continued)

The following schedule illustrates interest due each school district for tax years 1993 through 1998.

Tax Year	Common Schools	Russell Schools	Raceland Schools	Total Interest Due School Districts
1993	\$ 3,583	\$ 3,810	\$ 1,327	\$ 8,720
1994	3,341	3,434	1,228	8,003
1995	3,130	3,326	1,204	7,660
1996	1,257	1,247	448	2,952
1997	1,267	1,274	331	2,872
1998	<u>2,216</u>	<u>2,424</u>	<u>855</u>	<u>5,495</u>
Total	<u>\$ 14,794</u>	<u>\$ 15,515</u>	<u>\$ 5,393</u>	<u>\$ 35,702</u>

Former Sheriff Earl R. Marshall's Response:

Common School has already made a settlement on interest. Court case about interest payment to school districts is still pending.

Auditor's Reply:

Since former Sheriff Marshall submitted his response, the court case has been finally concluded in favor of the Auditor. KRS 134.140(3)(b) mandates that former Sheriff Marshall pay the interest due to all three school district boards of education of Greenup County. These interest amounts are owed to the boards of education, notwithstanding any agreements to the contrary. We have included these interest amounts now due and payable by former Sheriff Marshall in the net "Money Due to Others" column in comment one.

GREENUP COUNTY
EARL R. MARSHALL, FORMER SHERIFF
SCHEDULE OF COMMENTS AND RECOMMENDATIONS
March 26, 1999
(Continued)

4. Former Sheriff Earl R. Marshall's County Revenue Bond Should Have Adequately Protected
The County From Potential Loss

KRS 134.230 allows the fiscal court to require the Sheriff's office to obtain a county revenue bond. As of the audit date, the amount of the former Sheriff's county revenue bond was \$250,000. In our opinion, this amount was insufficient to adequately protect the county from potential loss. We recommend the fiscal court review the county revenue bond of the Sheriff's office and take appropriate action necessary to ensure that the county is adequately protected.

Former Sheriff Earl R. Marshall's Response:

No comment.

5. Former Sheriff Earl R. Marshall Should Not Have Made Transfers Between The Tax And Fee
Account

Former Sheriff Earl R. Marshall made numerous transfers between the tax account and fee account during the 1998 tax year. This practice mixes tax and fee account monies that should be kept separate at all times. KRS 134.170 forbids the use of tax monies for other purposes than that for which they were intended. Tax collections may not be used to fund fee account operations. Tax commissions may be transferred to the fee account, but tax collections may not be used to fund fee account operations. These transfers indicate the former Sheriff was using tax collections to fund fee account operations. Further, the former Sheriff did not book the return of transfers as a liability, creating a misstatement of the cash balance for each account. As of March 26, 1999, the fee account owes the tax account \$17,716 net for cash transfers not repaid. We recommend the former Sheriff repay the balance of \$17,716 from the fee account to the tax account. We further recommend the Sheriff's office refrain from transferring funds between the tax and fee accounts (other than normal commission transfers).

Former Sheriff Earl R. Marshall's Response:

We disagree with this amount and feel that all transfers have been repaid.

GREENUP COUNTY
EARL R. MARSHALL, FORMER SHERIFF
SCHEDULE OF COMMENTS AND RECOMMENDATIONS
March 26, 1999
(Continued)

PRIOR YEAR:

In our prior year audit, we reported the following items that were not corrected and are reported in our current year audit.

1. Former Sheriff Earl R. Marshall Should Eliminate The Deficit In His 1997 Tax Account
2. Former Sheriff Earl R. Marshall Should Have Paid The Boards of Education Their Proper Share Of Interest Earned On Investment Of School Taxes
3. Former Sheriff Earl R. Marshall's County Revenue Bond Should Have Adequately Protected The County From Potential Loss
4. Former Sheriff Earl R. Marshall Should Not Have Made Transfers Between The Tax Account And Fee Account
5. Former Sheriff Earl R. Marshall Should Have Required Depository Institutions To Pledge Additional Collateral And Entered Into A Written Agreement To Protect Deposits

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Keith Martin Cooper, Greenup County Sheriff
Honorable Earl R. Marshall, Former Greenup County Sheriff
Members of the Greenup County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Greenup County Sheriff's Settlement - 1998 Taxes as of March 26, 1999. We have issued our report thereon dated May 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- Former Sheriff Earl R. Marshall Should Have Paid Boards Of Education Their Proper Share Of Interest Earned On Investment Of School Taxes
- Former Sheriff Earl R. Marshall Should Not Have Made Transfers Between The Tax And Fee Account

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Greenup County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Keith Martin Cooper, Greenup County Sheriff
Honorable Earl R. Marshall, Former Greenup County Sheriff
Members of the Greenup County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. We consider the following findings reportable conditions.

- Former Sheriff Earl R. Marshall Should Have Paid Boards Of Education Their Proper Share Of Interest Earned On Investments Of School Taxes
- Former Sheriff Earl R. Marshall Should Not Have Made Transfers Between The Tax And Fee Account

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 25, 2000

